

Message Text

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PAGE 01 RIYADH 00525 01 OF 02 020759Z
ACTION NEA-11

INFO OCT-01 ISO-00 EB-08 DOTE-00 TRSE-00 COME-00 /020 W
-----005587 020803Z /11

P R 011130Z JUL 78
FM USLO RIYADH
TO SECSTATE WASHDC PRIORITY 556
INFO AMEMBASSY JIDDA

UNCLAS SECTION 1 OF 2 RIYADH 525

STATE PLEASE PASS TO DOT ASST. SEC. DAVENPORT AND TREASURY FOR
OASIA, FOR BOWDEN

EO 11652: N/A
TAGS: BTIO, BTRA, BENG, SA
SUBJECT: SAUDI NATIONAL BUS COMPANY

REF USREP/JECOR ISW 877 6/15/78

1. SAG MINISTRY OF COMMUNICATIONS (MOC) CONTINUES TO PLACE HIGH
PRIORITY ON ESTABLISHMENT OF URBAN AND INTERCITY BUS TRANSPORTATION
SYSTEM IN COORDINATE WITH JECOR AND TRANSPORTATION SPECIALIST FROM
DOT. WHILE MOC HAS NOT EXCLUDED INTEREST IN POSSIBILITIES ADVANCED
BY NON-US FOREIGN FIRMS, PRIMARY INTEREST APPEARS CENTERED ON
USE OF US FIRM TO FORM NATIONAL BUS COMPANY.
ON 17 JUNE JECOR, IN COORDINATION WITH USLO, PROVIDED MOC WITH
LIST OF EIGHT US FIRMS, AS FOLLOWS:

1. FIRM : AMERICAN TRANSIT CORPORATION
CONTACT : JAMES BENDER
ADDRESS : 120 SOUTH CENTRAL
ST. LOUIS, MISSOUR 63105
2. FIRM : JOINT VENTURE-ATE MANAGEMENT AND SERVICE
COMPANY, INC. AND DANIEL MANN JOHNSON AND
MENDENHALL
CONTACT : PHILIP J. RINGO

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- ADDRESS : 617 VINE STREET
CINCINNATI, OHIO 45202
TELEPHONE : 513-381-7425
3. FIRM : GREYHOUND LINES, INC.
CONTACT : FRANK L. NAGEOTTE
ADDRESS : GREYHOUND TOWERS
PHOENIX, ARIZONA 85077

TELEPHONE : 602-258-2961
MX 4. FIRM : MEUS ASSOCIATES AND CHARLES WEBB
CONTACT : JACK PEARCE
ADDRESS : 1000 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20036
5. FIRM : RALPH M. PARSONS COMPANY
CONTACT :
ADDRESS : WASHINGTON, D.C. 20005
TELEPHONE : 202-331-0777
6. FIRM : WILBUR SMITH AND ASSOCIATES
CONTACT : HAROLD P. IRONFIELD
ADDRESS : 1100 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20036
7. FIRM : JZ SVERDRUP AND PARCEL
CONTACT : CARROLL N. LETELLIER
ADDRESS : 1625 EYE STREET, N.W.
WASHINGTON, D.C. 20006
TELEPHONE : 202-331-1440
8. FIRM : TIPPETS-ABBETT-MCCARTHY-STRATTON
CONTACT : RAYMOND J. HODGE
ADDRESS : 1101 15TH STREET, N.W.
WASHINGTON, D.C. 20005
TELEPHONE : 202-296-4371

2. DOT TRANSPORTATION SPECIALISTS HAVE COORDINATED A LETTER WITH
MOC DEPUTY MINISTER KAYAL WHICH WILL BE SENT TO THE EIGHT FIRMS
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AND WHICH REQUESTS THAT EACH FIRM SEND REPRESENTATIVE(S) TO SAUDI
ARABIA TO DISCUSS BUS COMPANY FORMATION LETTER QUOTED AS FOLLOWS:
GENTLEMEN:

THE SAUDI ARABIAN GOVERNMENT HAS DECIDED TO ESTABLISH URBAN
AND INTERCITY BUS SERVICE. INITIALLY THIS WILL COMPRISE URBAN
BUS SERVICE IN FIVE MAJOR CITIES: RIYADH, JEDDAH, MECCA, MEDINA,
AND DAMMAM. TO THIS END, THE MINISTRY OF COMMUNICATIONS HAS HAD ITS
CONSULTANTS COMPLETE COMPREHENSIVE STUDIES FOR ALL FIVE CITIES
AND, ADDITIONALLY, HAS PREPARED IMMEDIATE IMPLEMENTATION
PLANS FOR THESE CITIES. THE MINISTRY PLANS THAT THE SAUDI
NATIONAL BUS COMPANY HAVE 520 BUSES IN SERVICE WITHIN ONE YEAR
OF ITS ESTABLISHMENT AND 880 BUSES WITHIN THREE YEARS OF ITS
ESTABLISHMENT. DURING THE SECOND AND THIRD YEARS, OPERATIONS
WILL BE TRANSFERRED FROM TEMPORARY FACILITIES TO PERMANENT DEPOTS
AND TERMINALS. THE BUS FLEET WOULD CONTINUE TO GROW IN RESPONSE
TO INCREASING DEMAND. IT IS NEEDLESS TO SAY THAT TIME IS OF THE
ESSENCE IN INITIATING THIS BUS SERVICE.

THE MINISTRY WILL ESTABLISH A SAUDI NATIONAL BUS COMPANY TO
PROVIDE THE BUS SERVICE. THE COMPANY WILL HAVE INITIAL INVESTED
CAPITAL OF ONE BILLION SAUDI RIYALS: ONE HALF BILLION OF THIS
WIGTPGE PAID BY INVESTORS IMMEDIATELY UPON ESTABLISHMENT OF THE
COMPANY AND THE REMAINDER, AS PARTIALLY OR FULLY REQUIRED BY THE

BUS COMPANY BOARD OF DIRECTORS. THE PARTICIPATION IN THE ONE BILLION SAUDI RIYAL INVESTMENT HAS BEEN DESIGNATED AS FOLLOWS: 40 PCT SAUDI PUBLIC, 25 PCT SAUDI GOVERNMENT, 25 PCT SAUDI FOUNDERS, AND 10 PCT FOREIGN INVESTOR-OPERATOR. A 15 PCT ANNUAL RATE OF PROFIT ON THE INVESTED CAPITAL WILL BE GUARANTEED TO THE BUS COMPANY BY THE SAUDI ARABIAN GOVERNMENT OVER A 15 YEAR PERIOD. AT THE END OF THE FIFTEEN YEAR PERIOD THE INITIAL INVESTMENT WILL HAVE BEEN COMPLETELY REPAID TO THE INVESTORS AND ALL ASSETS WILL REVERT TO THE SAUDI ARABIAN GOVERNMENT ACCORDING TO A MUTUALLY AGREEABLE FORMULS.

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INFO OCT-01 ISO-00 EB-08 DOTE-00 TRSE-00 COME-00 /020 W

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P R 011130Z JUL 78

FM USLO RIYADH

TO SECSTATE WASHDC PRIORITY 557

INFO AMEMBASSY JIDDA

UNCLAS SECTION 2 OF 2 RIYADH 0525

STATE PLEASE PASS TO DOT ASST. SEC. DAVENPORT AND TREASURY FOR OASIA, FOR BOWDEN

EO 11652: N/A

TAGS: BTIO, BTRA, BENG, SA

SUBJECT: SAUDI NATIONAL BUS COMPANY

THE MINISTRY OV COMMUNICATIONS WILL SOLICIT PROPOSALS FROM PROSPECTIVE FOREIGN COMPANIES AND WILL CHOOSE ONE OF THESE TO PARTICIPATE AS INVESTOR-OPERATOR IN THE SAUDI NATIONAL BUS COMPANY. THE FOREIGN INVESTOR- OPERATOR WILL BE RESPONSIBLE FOR MANAGING, OPERATING AND MAINTAINING THE BUS COMPANY. THE MINISTRY WILL ESTABLISH OBLIGATIONS TO BE FULFILLED BY THE SELECTED INVESTOR- OPERATOR IN THE NAME OF THE BUS COMPANY. THESE OBLIGATIONS WILL INCLUDE, BUT NOT BE LIMITED TO: PURCHASE OF SPECIFIC LAND SITES FOR TERMINALS AND DEPOTS; CONSTRUCTION OF TERMINALS AND DEPOTS; RECRUITING, HIRING AND TRAINING ALL NECESSARY MANAGEMENT, OPERATING, AND MAINTENANCE PERSONNEL; PURCHASE OF BUSES, AND PROVISION OF TEMPORARY MAINTENANCE FACILITIES DURING THE PERIOD WHEN DEPOTS AND TERMINALS ARE UNDER CONSTRUCTION. THE MINISTRY WILL TAKE INTO ACCOUNT THE VIEWS OF THE BUS COMPANY ON THE ABOVE MENTIONED SUBJECT. THE FOREIGN INVESTOR-OPERATOR WILL

PROVIDE THE DIRECTOR-GENERAL (CHIEF EXECUTIVE OFFICER) OF THE BUS COMPANY. IT IS EXPECTED THAT THE BOARD OF DIRECTORS WILL DESIGNATE ONE OF ITS MEMBERS AS A DELEGATED DIRECTOR. THE INVESTOR-OPERATOR WILL HAVE ONE SEAT ON THE BOARD OF DIRECTORS.
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THE DISTRIBUTION OF THE 15 PCT GUARANTEED PROFITS TO INVESTORS SHALL BE DECIDED BY THE BOARD OF DIRECTORS OF THE BUS COMPANY, IN ACCORD WITH SAUDI REGULATIONS. THE MINISTRY HAS PREPARED ARTICLES OF INCORPORATION AND BY LAWS OF THE COMPAN6, WHICH EXPLAIN THE DISTRIBUTION OF PROFITS. THEY WILL BE AVAILABLE TO BE READ BY THE REPRESENTATIVES OF THE PROSPECTIVE INVESTOR-OPERATORS IN RIYADH. DETAILED ASPECTS OF THE MANAGEMENT FEE WILL BE DISCUSSED AT THAT TIME. THE INVESTOR-OPERATOR WILL CONTINUE TO MANAGE, OPERATE, AND MAINTAIN THE BUS COMPANY FOR THE FULL FIFTEEN YEAR PERIOD AT THE DISCRETION OF THE BOARD OF DIRECTORS.

WE HAVE RECEIVED NOTICE THAT YOUR FIRM IS INTERESTED IN BECOMING THE INVESTOR-OPERATOR OF THE SAUDI NATIONAL BUS COMPANY. YOUR CONTINUED INTEREST SHOULD NOW BE SUPPORTED BY SUBMISSION OF A STATEMENT OF QUALIFICATIONS TO BE SENT OR DELIVERED IN PERSON TO THE MINISTRY OF COMMUNICATIONS, RIYADH, KINGDOM OF SAUDI ARABIA ON OR BEFORE 22 JULY, 1978.

YOUR STATEMENT OF QUALIFICATIONS SHOULD CONTAIN THE FOLLOWING INFORMATION:

1. A GENERAL DESCRIPTION OF YOUR COMPANY, ITS HISTORY, THE TYPES OF SERVICES IT PROVIDES, AND ITS OWNERSHIP.
2. A DETAILED DESCRIPTION OF CAPABILITIES AND NATIONAL AND INTERNATIONAL EXPERIENCE RELATED DIRECTLY TO PROVISION OF URBAN AND INTERCITY BUS SERVICE TYPICAL OF THAT REQUIRED IN SAUDI ARABIA.
3. A LIST OF PERSONNEL, ALONG WITH THEIR QUALIFICATIONS, AVAILABLE TO PROVIDE THE SERVICES UNDER CONSIDERATION.
4. A BRIEF DESCRIPTION OF YOUR APPROACH TO THE PROJECT.
5. ASSESSMENT OF YOUR ABILITY TO RAISE THE 50 MILLION SAUDI RIYAL IMMEDIATE INVESTMENT REQUIREMENT AND THE ADDITIONAL 50 MILLION SAUDI RIYALS AS REQUIRED BY THE BOARD OF DIRECTORS, AND
6. OTHER INFORMATION YOU REGARD AS DIRECTLY RELEVANT.

THIS STATEMENT OF QUALIFICATIONS SHOULD BE LIMITED TO A MAXIMUM OF EIGHT PAGES; HOWEVER, PERSONNEL RESUMES AND ADDITIONAL BACKGROUND MATERIAL MAY BE PROVIDED IN EXCESS OF THIS LIMITATION
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AS AN APPENDIX.

WE WOULD LIKE TO HAVE A REPRESENTATIVE OR REPRESENTATIVES OF YOUR FIRM COME TO RIYADH AS SOON AS POSSIBLE AND BEFORE JULY 22 TO DISCUSS THE PROJECT. WOULD YOU PLEASE TELEX IMMEDIATELY INDICATING YOUR AVAILABILITY TO MEET IN RIYADH. ADDRESS YOUR

TELEX TO: H.E. DR. M. KAYAL, DEPUTY MINISTER FOR TRANSPORTATION
AFFAIRS, MINISTRY OF COMMUNICATIONS, RIYADH, SAUDI ARABIA.

THE OFFICE OF CHESTER DAVENPORT, ASSISTANT SECRETARY OF THE
U.S. DEPARTMENT OF TRANSPORTATION HAS AGREED TO COORDINATE AND
EXPEDITE THE VISITS OF AMERICAN FIRMS TO SAUDI ARABIA. IT IS
SUGGESTED THAT YOU CONTACT BOB BROWN, SPECIAL ASSISTANT TO CHESTER
DAVENPORT BY PHONE AT 202-426-4524 FOR THAT PURPOSE.

SIGNED: H. MANSOURI

3. AS NOTED IN THE LETTER, MOC HAS REQUESTED FIRMS COORDINATE
THEIR TRAVEL TO SAUDI ARABIA WITH DOT ASSISTANT SECRETARY DAVENPORT.
THE SHORT TIME REMAINING BEFORE 22 JULY MAY CAUSE US FIRMS
DIFFICULTY IN OBTAINING SAUDI VISAS. JECOR WILL REQUEST MOC TO
COORDINATE WITH SAG MINISTRY OF INTERIOR TO EXPEDITE PROCESSING
OF VISAS FOR REPRESENTATIVES OF FIRMS LISTED IN PARA 2.
DEPARTMENT MAY WISH TO CONFIRM TO SAUDI EMBASSY THAT ABOVE
FIRMS HAVE VALID NEED FOR EXPEDITIOUS PROCESSING FOR
VISAS.

4. USDOC PLEASE NOTIFY ABOVE LISTED FIRMS OF SAG
LETTER, WHICH THEY SHOULD BE RECEIVING SEPARATELY.
FIRMS SHOULD NOT RESPOND TO INFORMATION IN THIS CABLE
BUT SHOULD WAIT UNTIL THEY HAVE BEEN CONTACTED DIRECTLY
BY SAUDI MINISTRY OF COMMUNICATIONS.

5. THIS TELEGRAM COORDINATED WITH JECOR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONTRACTS, PASSENGER TRANSPORTATION
Control Number: n/a
Copy: SINGLE
Draft Date: 01 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978RIYADH00525
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780273-0208
Format: TEL
From: RIYADH
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197807103/aaaadiny.tel
Line Count: 250
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ba64566b-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1854270
Secure: OPEN
Status: NATIVE
Subject: SAUDI NATIONAL BUS COMPANY
TAGS: BTIO, BTRA, BENC, SA, SAUDI NATIONAL BUS COMPANY
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ba64566b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014